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November 17, 2017

Sent via eMail/eFile

Mr. Fred James
Chief Regulatory Officer
Regulatory & Rates Group
British Columbia Hydro and Power Authority
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Re: British Columbia Hydro and Power Authority – Customer Emergency Fund Pilot Program – Project No. 1598924 –Order with Reasons

Dear Mr. James:

With respect to your July 24, 2017 application for the establishment of a Customer Emergency Fund Pilot Program, please see attached Order G-166-17 with Reasons.

Sincerely,

Original signed by Ian Jarvis for:

Patrick Wruck
Commission Secretary

Enclosure
/yl



ORDER NUMBER
G-166-17

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

British Columbia Hydro and Power Authority
Customer Emergency Fund Pilot Program Application

BEFORE:

K. A. Keilty, Commissioner/Panel Chair
W. M. Everett, QC, Commissioner

on November 17, 2017

ORDER

WHEREAS:

- A. On July 24, 2017, the British Columbia Hydro and Power Authority (BC Hydro) filed with the British Columbia Utilities Commission (Commission), pursuant to sections 58-61 and 49(a) of the *Utilities Commission Act* (UCA), the Customer Emergency Fund (CEF) Pilot Program (CEF Pilot) Application (Application) for approval of the following:
 - a. Rate Schedule 1903, to establish a CEF Rate Rider, effective June 1, 2018;
 - b. An amendment to Rate Schedule 1901, to exclude the application of the Deferral Account Rate Rider to the CEF Rate Rider, effective June 1, 2018;
 - c. Certain amendments to BC Hydro's Electric Tariff related to the Application (CEF Tariff Changes), effective June 1, 2018; and
 - d. The establishment of the CEF Regulatory Account, effective the date of the Commission's order approving the Application;
- B. Following the public hearing of BC Hydro's 2015 Rate Design Application (2015 RDA), the Commission issued Order G-5-17 and accompanying Decision on January 20, 2017. In the 2015 RDA Decision, the Commission approved the establishment of a pilot Crisis Intervention Fund and directed BC Hydro to file a proposal for a pilot program within six months of the date of the Decision;
- C. On August 24, 2017, by Order G-131-17, the Commission established a Streamlined Review Process (SRP) with one round of technical questions;
- D. On September 29, 2017, pursuant to Order G-131-17, BC Hydro filed as Exhibit B-2 supplementary information to the Application, which provided further particulars and analysis of the costs presented in Tables 2 and 3 of the Application;

- E. On October 13, 2017, pursuant to Order G-131-17, parties provided their technical questions to BC Hydro. On November 3, 2017, BC Hydro provided their written responses to the technical questions;
- F. On November 9, 2017, an SRP was held in Vancouver, BC, with BC Hydro and registered interveners in attendance. Oral final arguments were provided by the participants followed by BC Hydro's reply; and
- G. The Commission has reviewed the Application and submissions and determines that approval is warranted.

NOW THEREFORE pursuant to sections 59 to 61 of the *Utilities Commissions Act* and for the reasons attached as Appendix A to this order, the Commission orders as follows:

1. Approval of Rate Schedule 1903, which establishes a CEF Rate Rider, effective June 1, 2018.
2. Approval of an amendment to Rate Schedule 1901, to exclude the application of the Deferral Account Rate Rider to the CEF Rate Rider, effective June 1, 2018.
3. Approval of the CEF Tariff Changes, as applied for, effective June 1, 2018.
4. Approval of the establishment of the CEF Regulatory Account, as applied for, effective the date of this Order.
5. BC Hydro is directed to file Rate Schedule 1903 and amended Rate Schedule 1901, in tariff supplement form and the CEF Tariff Changes for endorsement by the Commission at least 30 days prior to their effective date.
6. BC Hydro is directed to file an evaluation report with the Commission within 90 days of the completion of the second year of the CEF Pilot. The CEF Pilot will continue until the earlier of three years from the CEF pilot implementation date, Commission approval of an application from BC Hydro to end the pilot prior to the end of the three year CEF Pilot, or issuance of a Commission order to end the CEF Pilot.

DATED at the City of Vancouver, in the Province of British Columbia, this 17th day of November, 2017.

BY ORDER

Original signed by:

K. A. Keilty
Commissioner/Panel Chair

Attachment

British Columbia Hydro and Power Authority
Customer Emergency Fund Pilot Program Application

REASONS FOR DECISION

1.0 Introduction

On July 24, 2017, the British Columbia Hydro and Power Authority (BC Hydro) filed with the British Columbia Utilities Commission (Commission), pursuant to sections 58-61 and 49(a) of the *Utilities Commission Act* (UCA), the Customer Emergency Fund (CEF) Pilot Program Application (Application) for approval of Rate Schedule 1903 to establish a CEF Rate Rider, an amendment to Rate Schedule 1901 to exclude the application of the Deferral Account Rate Rider to the CEF Rate Rider, certain amendments to BC Hydro's Electric Tariff related to the Application (CEF Tariff Changes) and, the establishment of the CEF Regulatory Account.

The following parties registered as interveners in the proceeding: FortisBC Energy Inc./FortisBC Inc. (FortisBC), British Columbia Old Age Pensioners' Organization *et al.* (BCOAPO), BC Sustainable Energy Association and Sierra Club BC (BCSEA), Commercial Energy Consumers of British Columbia (CEC), Zone II Ratepayers Group (Zone II), Non-Integrated Areas Ratepayers Group (NIARG), and the Ministry of Energy, Mines and Petroleum Resources (MEMPR).

On November 9, 2017, a Streamlined Review Process (SRP) was held in Vancouver, BC, pursuant to the regulatory timetable established by Commission Order G-131-17, and was attended by BC Hydro and the registered interveners, with the exception of the MEMPR. Prior to the SRP, supplementary information to the Application was filed by BC Hydro as Exhibit B-2, which provided further and better particulars and analysis of the costs presented in Tables 2 and 3 of the Application, and one round of technical questions was issued to and responded by BC Hydro in writing.

All of the parties that participated in the SRP, with the exception of FortisBC, were not opposed to Commission approval of the items requested in the Application. Although not opposed to the Application, Zone II and NIARG expressed concerns as noted in the following section.

The following section identifies the issues raised in the proceeding and the Panel's discussion and determination of each issue.

2.0 Issues Arising

Additional reporting on the CEF regulatory account balance

In Zone II's view, "there should be a trigger for at least evaluating any significant exceedances of the anticipated cost of the pilot project; that is a negative balance in the regulatory account, particularly if the pilot project runs for more than two years."¹ Since there is no current reliable data to forecast the number of applicants and participants in the project, Zone II requests safeguards be put in place to minimize significant project cost overruns. Zone II suggests that "BC Hydro should be required to assess at specific intervals during the pilot

¹ Transcript Volume 1, p. 109.

whether the customer emergency fund regulatory account is forecasted, after the first two years of the pilot, to have a significant negative balance,” at which time BC Hydro should then be required to take “corrective action.”² In addition, Zone II requests that BC Hydro’s project evaluation report to the Commission include “an assessment of any cost overruns and a detailed discussion and analysis of the reason for such overruns, and how BC Hydro proposes to address them.”³

BCSEA opposes additional reporting requirements for the CEF regulatory account mainly because it finds it unnecessary and because “BC Hydro has the tools to manage any mismatch.”⁴

In its reply argument, BC Hydro opposes additional reporting because it would add unnecessary costs to the program since BC Hydro already provides an annual report to the Commission that identifies the balances of regulatory accounts, such as the CEF regulatory account.⁵

Commission determination

The Panel denies the request for BC Hydro to provide additional reporting for the CEF regulatory account as proposed by Zone II. BC Hydro is already required to provide annual reporting to the Commission which includes the balances of all deferral and regulatory accounts and the Panel is not convinced that the benefits of additional reporting outweigh the associated administrative costs.

FortisBC submissions

In its final argument FortisBC raises three main points:

- (1) the concept or philosophy of a customer emergency fund;
- (2) particular design elements of the pilot program; and
- (3) nature of the orders from this process.⁶

In FortisBC’s view, “the fund has the hallmarks of a social assistance program, rather than one oriented to the utility business,” and FortisBC questions whether the fund “is a suitable adjunct to utility operations.”⁷ FortisBC further submits that there is not “a pre-existing public demand for a program.” Fortis further questions whether better efforts can instead be put elsewhere by the utility to prevent customers from needing access to a fund in the first place.⁸ FortisBC also points out the inherent risk of the program inadvertently becoming a “low-income program” because of “how income comes into play in evaluating applications.”⁹

² Ibid. p. 110.

³ Ibid. p. 111.

⁴ Ibid. p. 131.

⁵ Ibid. p. 139.

⁶ Ibid. p. 115.

⁷ Ibid. p. 117.

⁸ Ibid. pp. 118-119.

⁹ Ibid. pp. 121-123.

With respect to the design of the pilot program, FortisBC raised concerns which include the appropriateness of a utility administering a program that may be considered out of the scope of the utility's normal operations and expertise, and the utility in administering the fund, should maximize opportunities to "avoid or lessen the recurrence of customer non-payment in the future" by referring program participants to energy conservation programs.¹⁰

FortisBC also points out that, "any orders that stem from the proceeding" are specific to BC Hydro, and any findings or orders made should not be "extended to or directed to utilities that are not BC Hydro."¹¹

In its reply argument, BC Hydro notes that FortisBC is the only participant in the SRP that opposes the Orders sought by BC Hydro, and also notes that FortisBC is not a customer of BC Hydro and does not have, "a direct interest in the outcome of this proceeding," and because of this, "their position should be given relatively little weight in consequence."¹²

Panel discussion

The Panel notes that many of the issues raised by FortisBC have already been addressed in the Decision on BC Hydro's 2015 Rate Design Application and it is not the purpose of this proceeding to reconsider the Commission's decision to direct BC Hydro to establish a pilot program. The Panel also notes that orders from this proceeding apply solely to BC Hydro.

Pilot period

In the Application, BC Hydro proposes that the CEF Pilot run for a two year period, and that it will provide an evaluation report to the Commission at the end of the pilot.¹³ During the SRP, BC Hydro clarified that it is reserving the option to request an extension to the pilot to a third year pending the results of the first two years.¹⁴

During the SRP, the feasibility of extending the pilot beyond two years was discussed.¹⁵ In its submissions, BC Hydro proposed that the default end date of the pilot be amended to three years, but BC Hydro "would still reserve the right to apply to end it after two years."¹⁶ BC Hydro also pointed out that Rate Schedule 1903 does not have an end date, so by default, the CEF rate rider and by extension the CEF pilot program "would continue indefinitely until such time as BC Hydro applied or the Commission otherwise ordered to end it."¹⁷

Many of the interveners were supportive of a three year pilot period and of the importance of program continuity while the outcome of the pilot is evaluated.¹⁸ NIARG states that it favours a two-year pilot, but is not

¹⁰ Ibid. pp. 124-125.

¹¹ Ibid. pp. 127-128.

¹² Ibid. pp. 139-140.

¹³ Exhibit B-1, Application, p. 32

¹⁴ Transcript Volume 1, pp. 83-84

¹⁵ Ibid. pp. 91-97.

¹⁶ Ibid. p. 102.

¹⁷ Ibid. pp. 101-102.

¹⁸ Ibid. p. 111.

opposed to three years if it is structured to address the concern “that an extension could exacerbate the impacts of the monthly rate rider being either higher or lower than perhaps it should be.”¹⁹

Commission determination

In the Panel’s view extending the pilot beyond two years has the benefit of providing BC Hydro’s residential customers with program continuity while allowing sufficient time for the Commission to review the pilot’s results, and outweighs the risk of overruns in the CEF regulatory account since BC Hydro already has a system in place to monitor deferral and regulatory account balances. The Panel agrees that approval of the CEF pilot program with an end date of three years after implementation provides sufficient flexibility to evaluate the results of the pilot program. **Accordingly, the CEF Pilot will continue until the earlier of three years from the CEF pilot implementation date, Commission approval of an application from BC Hydro to end the pilot prior to the end of the three year CEF Pilot, or issuance of a Commission order to end the CEF Pilot.**

¹⁹ Ibid. p. 135.